

Message Text

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ACTION SS-25

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S E C R E T LISBON 5053

EXDIS

E.O. 11652: GDS
TAGS: MARR, PO
SUBJECT: AZORES BASE NEGOTIATIONS

REF: STATE 149821

1. DURING CALL ON FONMIN MEDEIROS FERREIRA JUNE 30 UNDER SECRETARY BENSON RAISED DIFFICULTY OF POSSIBLE CONGRESSIONAL LINKAGE OF \$300 MILLION LOAN WITH LAJES NEGOTIATIONS. SHE NOTED THE ADMINISTRATION OPPOSED SUCH LINKAGE AND HOPED OUR POSITION WOULD BE ACCEPTED, BUT WE OBVIOUSLY COULD NOT CONTROL CONGRESSIONAL ACTIONS. A NUMBER OF SENATORS WERE ANXIOUS FOR AN EARLY AGREEMENT, AND SOME TANGIBLE EVIDENCE OF PROGRESS WOULD BE OF HELP IN CONVINCING CONGRESS NOT TO LINK THE LOAN WITH THE NEGOTIATIONS. I ADDED THAT THIS SHOULD NOT BE INTERPRETED AS ANY KIND OF PRESSURE TACTIC ON OUR PART, BUT AN UNDESIRABLE POSSIBILITY THAT WE WERE TRYING TO AVOID.

2. MEDEIROS FERREIRA SAID THE US ADMINISTRATION'S POSITION WAS A CONSTRUCTIVE ONE. IF THE LOAN AND THE BASE NEGOTIATIONS WERE LINKED IT WOULD CREATE SERIOUS PROBLEMS HERE. IN ADDITION IT WOULD COME AS A "SURPRISE" TO COUNTRIES PARTICIPATING IN THE US-LED MULTILATERAL LOAN PROGRAM FOR PORTUGAL.

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3. MEDEIROS FERREIRA SAID HE HAD DISCUSSED THIS MATTER IN PARIS WITH SECRETARY VANCE (REFTTEL). HE WAS SURE WE COULD REACH A FORMAL AGREEMENT VERY QUICKLY, BUT HE WAS PREPARED TO MAKE A JOINT DECLARATION THAT NEGOTIATIONS WERE PROGRESSING IF THAT WAS NECESSARY TO HELP WITH THE CONGRESSIONAL PROBLEM. UNDER SECRETARY BENSON SAID SHE WOULD TAKE

SOUNDINGS ON HER RETURN AND LET HIM KNOW IF THAT WOULD BE USEFUL. MEDEIROS FERREIRA EMPHASIZED THAT THE GOP INTENDED TO ALLOW CONTINUED USE OF LAJES BY THE US AND IT MIGHT BE INSTRUCTIVE TO POINT OUT TO THE CONGRESS THAT HISTORICALLY THE US HAD USED LAJES LONGER WITHOUT AN AGREEMENT THAN WITH ONE.

4. MEDEIROS FERREIRA SAID HE HAD BEEN FOLLOWING OUR NEGOTIATIONS CLOSELY. THE PAPER WE HAD GIVEN VILLAS-BOAS ON AN ILLUSTRATIVE AID PACKAGE FOR THE AZORES (HAND CARRIED TO WASHINGTON BY BARBOUR) SEEMED LIKE A GOOD STARTING POINT AND WAS BEING CAREFULLY STUDIED BY THE GOP. HE THOUGHT THE GOP WOULD SOON BE IN A POSITION TO TRY TO CONVINCE THE AZOREANS TO ACCEPT SUCH A PACKAGE. IF THE AZOREANS COULD BE SATISFIED HE THOUGHT THE MILITARY MIGHT BE PERSUADED TO ASK FOR AT LEAST PART OF THEIR QUID IN EQUIPMENT INSTEAD OF INFRASTRUCTURE. HE CONCLUDED BY SAYING THE GOP WOULD TRY TO KEEP THE AZOREANS ON AN EVEN KEEL. HE HAD THE FEELING WE WERE ON THE ROAD TO A SOLUTION AND CAN REACH A FORMAL AGREEMENT SHORTLY, CERTAINLY BY THE FALL.

5. SUBSEQUENTLY DCM AND I HAD A CONVERSATION WITH VILLAS-BOAS WHO CONFIRMED THAT THE GOP LIKED OUR ILLUSTRATIVE AID PROPOSAL. HE WAS NOT QUITE AS OPTIMISTIC AS THE MINISTER, BUT DID ADMIT THAT THE POSITION TAKEN BY THE MINISTER WAS BASED UPON HIS BRIEFING. HIS PRINCIPAL CONCERN WAS HOW TO BRING THE AZOREANS DOWN TO EARTH. AS A PORTUGUESE HE WAS
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EMBARRASSED TO SAY IT BUT THE AZOREANS WERE INCAPABLE OF SETTING PRIORITIES AND DEVELOPING PROJECTS, AS WE HAD ASKED THEM TO DO IN OUR JUNE 17 MEETING WITH THE TASK FORCE. SOMEHOW HE HAD TO FIND A WAY TO GET THEM TO ACCEPT SOMETHING LIKE OUR ILLUSTRATIVE PROPOSAL. I TOLD HIM HE SHOULD NOT YET PRESENT THE PROPOSAL TO THE AZOREANS, BUT SINCE THE GOP SEEMED TO LIKE IT I WOULD ASK WASHINGTON TO REVIEW IT WITH A VIEW TO GIVING IT SOME OFFICIAL STANDING. IF WASHINGTON FOUND IT REASONABLE WE COULD THEN DISCUSS TACTICS ON HOW THE AZOREANS MIGHT BE PERSUADED TO ACCEPT IT. HE AGREED THIS WOULD BE DESIRABLE AND SAID HE WOULD BE CONVENING THE AZOREANS AGAIN TOWARD THE END OF NEXT WEEK, AND IT WOULD BE USEFUL TO HAVE WASHINGTON'S POSITION BY THEN.
CARLUCCI

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